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REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS FIRST ADDITIONAL SESSION

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Introduction

1. The Programme and Budget Committee held its first additional session at UNIDO Headquarters, Vienna International Centre, on 22 November 1993 under the chairmanship of J. Y. Jamal (Qatar), chairman of the ninth session.

2. In accordance with Industrial Development Board decision IDB.11/Dec.40 (e), the session was convened for the purpose of considering the adjustments to the proposals of the Director-General for the programme of work and related estimates for the 1994-1995 biennium.

3. The following 23 members of the Committee participated in the session: Algeria, Austria, Brazil, Bulgaria, China, Colombia, Cuba, Egypt, France, Germany, India, Italy, Japan, Mexico, Netherlands, Nigeria, Philippines, Poland, Qatar, Russian Federation, Sweden, United Kingdom of Great Britain and Northern Ireland, United States of America.

4. The following 40 Members of UNIDO also attended the session: Argentina, Australia, Belarus, Belgium, Bolivia, Cameroon, Chile, Costa Rica, Czech Republic, Democratic People's Republic of Korea, Denmark, Ecuador, Finland, Greece, Hungary, Indonesia, Iran (Islamic Republic of), Ireland, Jordan, Kuwait, Lebanon, Luxembourg, Morocco, Norway, Oman, Pakistan, Panama, Portugal, Republic of Korea, Romania, Saudi Arabia, Spain, Sudan, Switzerland, Thailand, Tunisia, Turkey, Ukraine, Venezuela, Yemen.

5. The United Nations Office at Vienna was represented.

6. The following intergovernmental organization was represented: International Organization for Migration.

7. The Rappporteur, T. M. El Kouny (Egypt), who was unable to attend the session, was succeeded in that function by A. Ezzat (Egypt).

8. The agenda for the first additional session as adopted by the Committee is contained in document PBC/AS.1/1. Following the adoption of the agenda, the Director-General made an introductory statement.

9. The report of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution.

10. The report contains the conclusion reached by the Committee. Statements made in connection with the adoption of the conclusion are contained in annex I to the present report. Annex II contains a list of documents submitted to the Committee at its first additional session.

11. The conclusion adopted by the Committee as reported below was brought to the attention of the Board at its eleventh resumed session of 22 November 1993.

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I. PROGRAMME AND BUDGETS, 1994-1995

12. The Committee considered the proposals of the programme and budgets, 1994-1995, adjusted on the basis of Industrial Development Board decision IDB.11/Dec.40 and contained in document PBC/AS.1/2 and Corr.1. After consideration of the draft conclusion on the programme and budgets, 1994-1995 contained in document PBC/AS.1/3, the Committee adopted the following conclusion:

Conclusion 93/12

The Programme and Budget Committee:

(a) Recalled Industrial Development Board decisions IDB.11/Dec.24 and IDB.11/Dec.40;

(b) Considered the adjusted proposals of the Director-General for the programme of work for the 1994-1995 biennium and the corresponding total resource requirements by major programme to be financed from the regular and operational budgets as contained in document PBC/AS.1/2-IDB.11/32-GC.5/14/Rev.1 and Corr.1;

(c) Noted that the exchange rate applied in these estimates is US$ 1 = AS 12.90 for the regular and operational budgets and these estimates would be adjusted to take account of the United Nations accounting rate of exchange prior to the end of the fifth session of the General Conference;

(d) Noted that the inflation rates have been updated in the adjusted proposals;

(e) Recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(i) Decides to submit to the General Conference for consideration and approval the programme and budgets for 1994-1995 as contained in document PBC/AS.1/2-IDB.11/32-GC.5/14/Rev.1 and Corr.1;

"(ii) Recommends to the General Conference the approval on the basis of an exchange rate of US$ 1 = AS 12.90 of appropriations in the amount of $229,320,200 for the regular budget of the Organization in 1994-1995 as reflected in the following table:

	Appropriations	Estimated income (in US dollars)	Net requirements
Policy-making Organs	2,231,700		2,231,700
General Management	10,944,000		10,944,000
Country Strategy and Programme Development	19,800,100		19,800,100
Mobilization and Management of Financial Resources	7,253,400		7,253,400
Information and Research	14,675,500		14,675,500
Human Resource, Enterprise and Private Sector Development	11,545,700		11,545,700
Industrial Subsector Development and Environment	21,804,000		21,804,000
Investment and Technology Promotion	17,590,200		17,590,200
Common Programmes	17,178,000		17,178,000
Operational Support Services	6,461,400	249,000	6,212,400
Joint and Common Services	64,584,400	28,743,600	35,840,800
Administration	35,251,800	2,422,000	32,829,800
Miscellaneous Income	-	1,595,300	(1,595,300)
Total	229,320,200	33,009,900	196,310,300

Note: The amounts presented in the table are to be adjusted in accordance with the adjustment formula presented at the end of the present decision to take account of exchange rate variations during the biennium.

"(iii) Also recommends to the General Conference that the foregoing net requirements be financed from payments of contributions by Member States under the provisions of financial regulation 5.5(e), amounting to $196,310,300 at an exchange rate of US$ 1 = AS 12.90 ($23,557,200 plus the equivalent in US dollars of AS 2,228,514,990) in accordance with decisions to be adopted by the General Conference at its fifth session concerning the scale of assessments;

"(iv) Further recommends to the General Conference the approval of estimates of expenditure totalling $35,050,000 at an exchange rate of US$ 1 = AS 12.90 for the purpose of the operational budget for the biennium 1994-1995 to be financed from voluntary contributions and such other income as might be provided for in the financial regulations.

Adjustment formula in US dollars

Appropriations	US dollars	Austrian schillings
Policy-making Organs	197,900 +	(26,236,000 /R)
General Management	1,195,300 +	(125,757,800 /R)
Country Strategy and Programme Development	2,542,100 +	(222,628,200 /R)
Mobilization and Management of Financial Resources	832,100 +	(82,834,300 /R)
Information and Research	1,868,300 +	(165,212,700 /R)
Human Resource, Enterprise and Private Sector Development	1,302,100 +	(132,142,600 /R)
Industrial Subsector Development and Environment	2,376,000 +	(250,621,400 /R)
Investment and Technology Promotion	2,265,600 +	(197,686,800 /R)
Common Programmes	3,883,200 +	(171,503,500 /R)
Operational Support Services	666,900 +	(74,749,000 /R)
Joint and Common Services	5,006,700 +	(768,552,200 /R)
Administration	3,997,200 +	(403,184,300 /R)
Subtotal - Appropriations	26,133,400 +	(2,621,108,800 /R)
Estimated income		
Operational Support Services	23,800 +	(2,905,000 /R)
Joint and Common Services	1,663,200 +	(349,337,200 /R)
Administration	172,700 +	(29,015,700 /R)
Miscellaneous	716,500 +	(11,335,910 /R)
Subtotal - Estimated Income	2,576,200 +	(392,593,810 /R)
TOTAL NET REQUIREMENTS	23,557,200 +	(2,228,514,990 /R)

Note 1: The net requirements shown above assume a ratio of 12 per cent in US dollars and 88 per cent in Austrian schillings at an exchange ratelof US$ 1 = AS 12.90.

Note 2: R represents the average United Nations exchange rate for Austrian schilling to US dollar which will be experienced during 1994-1995."

II. ADOPTION OF THE REPORT AND CLOSURE OF THE FIRST ADDITIONAL SESSION

13. On 22 November at 12.15 p.m. the Committee closed its first additional session, having entrusted the Rapporteur with the preparation and finalization of the report of its first additional session.

Annex I

STATEMENTS BY DELEGATIONS

1. The present annex contains statements of principle delivered by delegations in connection with the adoption of conclusion 93/12. These statements have been included at the request of the delegations concerned and as agreed to by the Chairman.

2. Speaking on behalf of the European Union and its member States the delegation of Belgium stated that they were ready to adopt the adjusted programme and budget proposals (PBC.AS.1/2 and Corr.1-IDB.11/32 and Corr.1). While reiterating their support for the reform proposals, they underlined the importance they attached to the quality of UNIDO's overall performance through better quality assurance, evaluation, internal audit, a greater cost effectiveness and an independent quality management system. They appreciated the fact that previously voiced concerns had been taken into account and welcomed the transfer of decision-making and responsibilities to lower management levels. Finally they congratulated the Director-General and the Secretariat for their efforts and pledged to continue to cooperate in a constructive manner.

3. The delegation of the Russian Federation requested the Director-General to prepare and submit to the fifth session of the General Conference, in the form of an annex to the draft budget, supplementary information relating to the financing of individual budget lines in comparison with the draft budget approved by the Industrial Development Board in July 1993. The delegation stated that it would not oppose the adoption of a decision recommending the Industrial Development Board to approve the budgets for 1994-1995, but would reserve the right to revert to the matter, if necessary, after receipt of the relevant supplementary explanations from the Secretariat. The delegation noted with satisfaction the growing attention paid in the Organization's activities to the Eastern European countries. However, in the light of existing demand for services and the growing number of countries in that region, the Eastern European orientation in the Secretariat should be enhanced, in particular as regards financing and staffing. The delegation also supported the proposal to give due attention to servicing the subprogramme on quality assurance and agreed with the view that it should be strengthened.

4. The delegation of India welcomed the Director-General's approach on the issue of quality management and felt a good start had been made in subprogramme 312. Improved quality, however, should not be at the expense of timeliness of delivery. Quality should be integrated into the project development stage and a participatory approach should be followed. Consensus among donors and beneficiaries was also important. The quality management system needed further careful development, and there was no need to indulge in haste or overkill. On the overall budget level, the delegation expressed its disappointment that in the next biennium the regular budget of the Organization would be reduced by 1.6 per cent in real terms while the operational budget would be reduced even more, by 36 per cent. This total real decline of 9.2 per cent in resources had to be seen against the background of the increasing need for UNIDO services, particularly since developing countries were indeed far short of achieving their objectives in the area of industrialization. The international community must display the political will to invest more resources in industrial development. The delegation hoped that, with the reform and revitalization of UNIDO, Member States would recognize that it was time to increase the regular budget of UNIDO in real terms.

5. The delegation of the Philippines requested information on the programme from which home leave travel costs were taken and on the amount allotted for such travel. The delegation expressed its Government's desire that cost-cutting measures be instituted on said home leave travel and entitlements, to be effected at the beginning of the biennium. Savings generated from such measures could be channelled to the more important area of field representation, in particular for UNIDO Country Director posts, for which funds were severely lacking. Pending receipt of such information, the Philippines was not in favour of endorsing for approval the adjusted programmes and budgets, 1994-1995. However, in the spirit of cooperation and on the basis of the commitment expressed by the Director-General to address the issue forthwith, the delegation decided not to block the consensus.

Annex II

DOCUMENTS SUBMITTED TO THE PROGRAMME AND BUDGET COMMITTEE AT ITS FIRST ADDITIONAL SESSION

Symbol	Agenda item	Title
PBC/AS.1/1	2	Provisional agenda
PBC/AS.1/2 and Corr.1	3	Programme and budgets, 1994-1995. Adjusted proposals on the basis of Industrial Development Board decision IDB.11/Dec.40. Submitted by the Director-General
PBC/AS.1/3	3	Programme and budgets. Note by the Secretariat